
OLIVET COMMUNITY SCHOOLS
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Education
Olivet Community Schools

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olivet Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Olivet Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Olivet Community Schools as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have issued our report dated September 16, 2008 on our consideration of Olivet Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xiii and 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Olivet Community Schools' basic financial statements. The additional information on pages 31 to 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mayer, Costeniser & Ellis, P.C.

September 16, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Olivet Community Schools' (OCS) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2008. The District's financial statements are immediately following this section.

FINANCIAL HIGHLIGHTS

The District's general fund financial situation increased from the 2007 fiscal year to 2008, ending with a fund balance of \$1,766,789 or 15.7% of general fund expenditures. Increasing enrollments and an insurance cap with the teaching staff provided a positive impact against increasing health insurance, retirement rates, and utility costs.

As anticipated, our athletic fund expenditures continued to exceed the revenue received this year, with this amount budgeted in the general fund to cover the shortfall of the athletic fund. Gate receipt revenues are not able to keep pace with the rising costs of athletic salaries, official's fees, and athletic supplies. This occurred despite successful athletic teams in several high revenue sports.

Our food service program received significant improvements in capital assets and equipment this year. Several necessary pieces of equipment were added to our school kitchen facilities. The food service program continues to pay a portion of the utilities and custodial expenses to the District's general fund.

With our 2002 School Building and Site Bond issue completed in the prior year, we were successful in passing a \$14.5 million dollar project, the 2008 School Building and Site Bonds. This project will continue to improve educational facilities, in addition to installing educational technology, a cafeteria expansion in the Middle School, construction and improving athletic facilities and playgrounds throughout the District, and purchasing school buses.

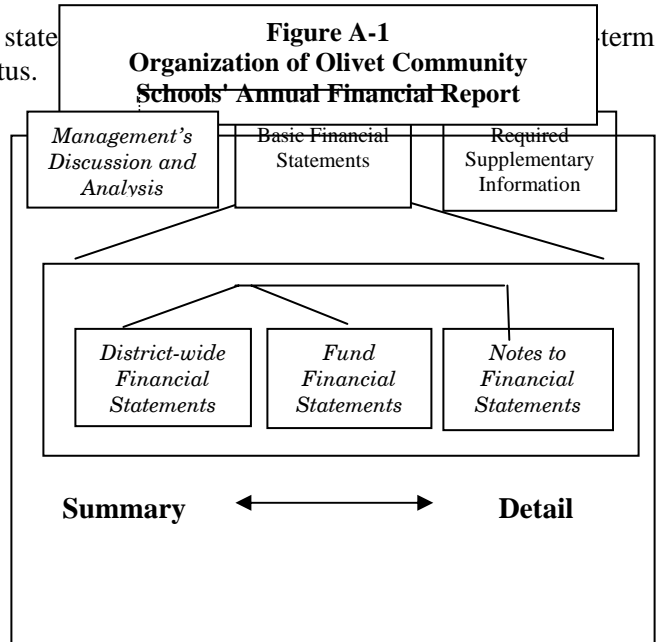
With total general fund revenues exceeding \$11.4 million dollars and expenditures at \$11.2 million dollars; total general fund revenues reflected a surplus against expenditures and transfers by nearly \$165,000. Even with the current fund balance of nearly 15.7% of expenditures and transfers, the District will fall short of having the necessary funds available to meet expenses. Again this year, 2008-09, the District will be participating in a short-term cash flow loan.

Student membership growth of nearly 24 students, combined with a slight increase of 1.7% in state aid funding of \$119 per student brought the District to an end of the year gain in the general fund balance of nearly \$165,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide summary information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide notes to financial statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.



The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Olivet's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities - Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its building and site fund) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds - Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary funds - The District is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets - The District's combined net deficit was slightly less on June 30, 2008 than the prior year, decreasing by \$17,594 to \$1,404,753. The other impact is District depreciation, which was \$689,548, compared to District total capital purchases in 2008 of \$42,463.

Table A-3		
Olivet Community Schools		
Net Assets		
	2008	2007
Current assets	\$ 4,303,589	\$ 3,815,341
Capital assets	18,044,067	18,706,172
Total assets	22,347,656	22,521,513
Long-term debt outstanding	20,511,686	21,309,937
Other liabilities	3,240,723	2,633,923
Total liabilities	23,752,409	23,943,860
Net assets (deficit):		
Invested in capital assets, net of related debt	(471,163)	(585,714)
Unrestricted	(933,590)	(836,633)
Total net assets (deficit)	\$ (1,404,753)	\$ (1,422,347)

Table A-4		
Changes in Olivet Community Schools' Net Assets		
	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 411,654	\$ 389,207
Federal and state operating grants	1,004,852	981,893
General revenues:		
Property taxes	2,089,189	1,969,123
Investment	52,716	45,584
State aid - unrestricted	9,459,819	9,153,395
ISD - special education	434,740	429,553
Other	50,279	54,925
Total revenues	13,503,249	13,023,680
Expenses:		
Instruction	7,310,900	7,164,878
Support services	3,696,028	3,669,576
Community services	34,208	30,192
Food services	547,099	503,805
Athletics	311,926	306,617
Interest on long-term debt	895,946	917,756
Unallocated depreciation	689,548	699,286
Total expenses	13,485,655	13,292,110
Change in net assets	\$ 17,594	\$ (268,430)

District Governmental Activities

The District's good financial shape has come about through a number of areas.

- Proposal, A which established the student foundation, grant concept, and has increased that amount from \$4,352 per student in 1995 to \$7,204 per student in 2008.
- Student count in the District has seen a continued increase. In fiscal year 2000 state aid membership was 1,309; and since, has increased to 1,432. This 100 plus student increase is a 9% increase over the past eight years; averaging to approximately 1% per year. We anticipate the increase in student growth to continue in the upcoming years.
- Through the community support of our recent bond issue, we have significantly improved our educational facilities.
- Through budget cuts, the District has saved money by lowering non-instructional costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds, with a combined fund balances of \$2.140 million compared to \$2.094 million in 2007. The general fund, fund balance increased by \$164,593 for the year.

Total fund balances increased and the athletic fund had expenditures greater than revenues. The general fund contribution to the athletic fund brought this fund to its expected balance of matching revenues to expenditures. The food service fund balance also decreased by approximately \$46,500.

General Fund and Budget Highlights

During the 2008 fiscal year the original District budget was amended three times to reflect changes which affected the District.

The initial amendment took place in late fall, following the student count and staff changes that had taken place. Winter amendments took place to account for the unfavorable information received from the state government regarding school financing. All programs and staff were maintained, with only necessary expenditures being made due to the uncertainty of funding from the state.

The final amended budget included funding from the state in whole, at \$7,204 per student. Final amended results indicated that revenues were to exceed expenditures by nearly \$173,000. This provided the District's revenue to exceed expenditures and transfers by nearly \$165,000. Actual results indicate that revenues came in slightly lower (\$21,300) than were anticipated, and expenses including transfers came in less than budget by nearly \$13,000. The net result provided a positive change in fund balance of nearly \$165,000, increasing the fund balance to \$1,766,789 (15.7%) of general fund expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets are as follows:

Table A-5 Olivet Community Schools' Capital Assets				
	2008			2007
	Cost	Accumulated depreciation	Net book value	Net book value
Land	\$ 281,800	\$ -	\$ 281,800	\$ 281,800
Buildings and improvements	23,494,017	6,570,039	16,923,978	17,412,454
Technology	397,909	316,266	81,643	117,816
Furniture and fixtures	793,175	597,916	195,259	193,330
Machinery and equipment	818,133	561,200	256,933	274,431
Transportation equipment	631,808	448,924	182,884	298,692
Total	<u>\$ 26,416,842</u>	<u>\$ 8,494,345</u>	<u>\$ 17,922,497</u>	<u>\$ 18,578,523</u>

Capital asset purchases throughout fiscal 2008 included building improvements, machinery and equipment, and technology equipment. The total was approximately \$42,000. For more information see Note 4.

LONG-TERM DEBT

At year-end the District had \$21,465,778 long-term debt outstanding as shown in Table A-6. More detailed information is available in Note 7 to the financial statements.

The District paid down its debt by \$927,210 while there were increases during the year of \$286,269.

Table A-6 Olivet Community Schools Outstanding Long-term Debt		
	2008	2007
General obligation bonds	\$ 14,640,629	\$ 15,354,161
Durant - limited obligation bonds	80,807	80,807
School bond loan fund	5,933,761	5,874,060
Land contract	109,094	119,347
Severance benefits	701,487	678,344
	<u>\$ 21,465,778</u>	<u>\$ 22,106,719</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could significantly affect its financial health in the future:

- While the 2008-2009 foundation allowance has not been finalized by the State of Michigan, the foundation allowance represents 88 percent of total general fund revenue. The weak state economy could require pro-rations in state aid.
- Negotiations between the Board of Education and teachers union are not settled for this upcoming year, and continued careful attention needs to be given to the rising costs of health insurance and Michigan School Employees retirement system costs.
- The District is plaintiff with other school districts in a lawsuit against the State, seeking to rectify inequities in the formula the State uses to apportion special education aid to the districts.
- Student count is projected to slightly increase over the next five years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Office, Olivet Community Schools, 255 First Street, Olivet, Michigan 49076.

BASIC FINANCIAL STATEMENTS

**OLIVET COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
JUNE 30, 2008**

ASSETS	<u>Governmental activities</u>
CURRENT ASSETS:	
Cash	\$ 389,259
Investments	1,777,118
Receivables:	
Due from other governmental units	2,060,361
Other	1,048
Inventories	50,486
Prepaid expenditures	<u>25,317</u>
TOTAL CURRENT ASSETS	<u>4,303,589</u>
NONCURRENT ASSETS:	
Deferred charges, net of amortization	121,570
Capital assets	26,416,842
Less accumulated depreciation	<u>(8,494,345)</u>
TOTAL NONCURRENT ASSETS	<u>18,044,067</u>
 TOTAL ASSETS	 <u><u>\$ 22,347,656</u></u>

	Governmental activities
LIABILITIES AND NET ASSETS (DEFICIT)	
CURRENT LIABILITIES:	
Accounts payable	\$ 148,473
Accrued salaries and related items	881,453
Accrued interest	123,095
Deferred revenue	133,610
State aid note payable	1,000,000
Current portion of long-term obligations	895,635
Current portion of termination benefits	58,457
TOTAL CURRENT LIABILITIES	3,240,723
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	19,868,656
Noncurrent portion of compensated absences and termination benefits	643,030
TOTAL NONCURRENT LIABILITIES	20,511,686
TOTAL LIABILITIES	23,752,409
NET ASSETS (DEFICIT):	
Invested in capital assets, net of related debt	(471,163)
Unrestricted	(933,590)
TOTAL NET ASSETS	(1,404,753)
TOTAL LIABILITIES AND NET ASSETS (DEFICIT)	\$ 22,347,656

**OLIVET COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense)
				revenue and changes in net assets
Governmental activities:				
Instruction	\$ 7,310,900	\$ 26,175	\$ 608,743	\$ (6,675,982)
Support services	3,696,028	-	152,185	(3,543,843)
Community services	34,208	48,031	-	13,823
Food services	547,099	256,576	243,924	(46,599)
Athletics	311,926	80,872	-	(231,054)
Interest on long-term debt	895,946	-	-	(895,946)
Unallocated depreciation	689,548	-	-	(689,548)
Total governmental activities	<u>\$ 13,485,655</u>	<u>\$ 411,654</u>	<u>\$ 1,004,852</u>	<u>(12,069,149)</u>
General revenues:				
Property taxes, levied for general purposes				608,908
Property taxes, levied for debt service				1,480,281
Investment earnings				52,716
State sources				9,459,819
Intermediate sources				434,740
Other				<u>50,279</u>
Total general revenues				<u>12,086,743</u>
CHANGE IN NET ASSETS				17,594
NET ASSETS (DEFICIT), beginning of year				<u>(1,422,347)</u>
NET ASSETS (DEFICIT), end of year				<u>\$ (1,404,753)</u>

**OLIVET COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 64,552	\$ 324,707	\$ 389,259
Investments	1,691,070	86,048	1,777,118
Receivables:			
Due from other governmental units	2,057,001	3,360	2,060,361
Due from other funds	42,592	1,839	44,431
Due from fiduciary funds	149	780	929
Other	-	569	569
Inventories	44,076	6,410	50,486
Prepaid expenditures	25,317	-	25,317
TOTAL ASSETS	<u><u>\$ 3,924,757</u></u>	<u><u>\$ 423,713</u></u>	<u><u>\$ 4,348,470</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 148,397	\$ 76	\$ 148,473
Accrued salaries and related items	879,154	2,299	881,453
State aid note payable	1,000,000		1,000,000
Due to other funds	1,839	42,592	44,431
Due to fiduciary funds	450		450
Deferred revenue	128,128	5,482	133,610
TOTAL LIABILITIES	<u><u>2,157,968</u></u>	<u><u>50,449</u></u>	<u><u>2,208,417</u></u>
FUND BALANCES:			
Reserved for inventories	44,076	6,410	50,486
Reserved for prepaid expenditures	25,317	-	25,317
Reserved for debt service	-	311,948	311,948

See notes to financial statements.

	General Fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES (Concluded):			
Unreserved:			
Designated for severance pay	\$ 701,487	\$ -	\$ 701,487
Designated for subsequent year expenditures	316,168	-	316,168
Undesignated	679,741	54,906	734,647
TOTAL FUND BALANCES	1,766,789	373,264	2,140,053
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,924,757	\$ 423,713	\$ 4,348,470
Total governmental fund balances			\$ 2,140,053
Amounts reported for governmental activities in the statement of net assets are different because:			
Value of amortized bond issuance costs		\$ 139,807	
Accumulated amortization		<u>(18,237)</u>	
			121,570
Capital assets used in governmental activities are not financial resources and are not reported in the funds			
The cost of the capital assets is		26,416,842	
Accumulated depreciation is		<u>(8,494,345)</u>	
			17,922,497
Long-term liabilities are not due and payable in the current period and are not reported in the funds:			
Bonds payable			(20,984,568)
Land contract payable			(109,094)
Bond premium			(89,258)
Deferred amount of bond refunding			418,629
Compensated absences and termination benefits			(701,487)
Accrued interest is not included as a liability in government funds, it is recorded when paid			<u>(123,095)</u>
Net assets of governmental activities			\$ <u>(1,404,753)</u>

See notes to financial statements.

OLIVET COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	<u>General Fund</u>	<u>Other nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES:			
Local sources:			
Property taxes	\$ 608,908	\$ 1,480,281	\$ 2,089,189
Investment earnings	51,013	1,703	52,716
Food sales, athletics, and community service	-	337,448	337,448
Other	124,485	-	124,485
Total local sources	784,406	1,819,432	2,603,838
State sources	10,031,435	22,084	10,053,519
Federal sources	189,312	221,840	411,152
Incoming transfers and other	434,740	-	434,740
Total revenues	11,439,893	2,063,356	13,503,249
EXPENDITURES:			
Current:			
Instruction	7,276,645	-	7,276,645
Supporting services	3,693,882	-	3,693,882
Food service activities	-	534,885	534,885
Athletic activities	-	304,721	304,721
Community service activities	64,520		64,520

See notes to financial statements.

	General Fund	Other nonmajor governmental funds	Total governmental funds
EXPENDITURES (Concluded):			
Capital outlay	\$ -	\$ 19,419	\$ 19,419
Debt service:			
Principal repayment	10,253	730,000	740,253
Interest	-	643,664	643,664
School loan revolving fund repayment - principal		177,871	177,871
Other	-	1,408	1,408
Total expenditures	<u>11,045,300</u>	<u>2,411,968</u>	<u>13,457,268</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>394,593</u>	<u>(348,612)</u>	<u>45,981</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	-	230,000	230,000
Operating transfers to other funds	<u>(230,000)</u>	<u>-</u>	<u>(230,000)</u>
Total other financing sources (uses)	<u>(230,000)</u>	<u>230,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>164,593</u>	<u>(118,612)</u>	<u>45,981</u>
FUND BALANCES:			
Beginning of year	<u>1,602,196</u>	<u>491,876</u>	<u>2,094,072</u>
End of year	<u><u>\$ 1,766,789</u></u>	<u><u>\$ 373,264</u></u>	<u><u>\$ 2,140,053</u></u>

See notes to financial statements.

**OLIVET COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Net change in fund balances total governmental funds \$ 45,981

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(689,548)
Capital outlay	42,463
Loss on disposal of capital assets	(8,941)

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable, beginning of the year	115,872
Accrued interest payable, end of the year	(123,095)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences is the treatment of long-term debt and related items and are as follows:

Payments on debt	740,253
Amortization of bond issuance costs	(6,079)
Amortization of deferred loss on refunding	(20,931)
Amortization of bond premium	4,463
Payments to school bond loan fund	203,425
Long-term interest on school bond loan fund (accrued)	(263,126)

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences and termination benefits, beginning of the year	678,344
Accrued compensated absences and termination benefits, end of the year	<u>(701,487)</u>

Change in net assets of governmental activities \$ 17,594

**OLIVET COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2008**

	<u>Agency fund</u>	<u>Private Purpose Trust Fund</u>
ASSETS:		
Cash	\$ 109,906	\$ 57,401
Due from Olivet Community Schools	<u>450</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 110,356</u></u>	<u><u>\$ 57,401</u></u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 664	\$ -
Due to Olivet Community Schools	929	-
Due to student and other groups	<u>108,763</u>	<u>-</u>
TOTAL LIABILITIES	110,356	-
NET ASSETS:		
Reserved for trust activities	<u>-</u>	<u>57,401</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 110,356</u></u>	<u><u>\$ 57,401</u></u>

OLIVET COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Donations	\$ 3,858
Interest earnings	<u>3,837</u>
Total additions	<u>7,695</u>
DEDUCTIONS:	
Other	<u>6,761</u>
CHANGE IN NET ASSETS	934
NET ASSETS:	
Beginning of year	<u>56,467</u>
End of year	<u><u>\$ 57,401</u></u>

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Olivet Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting entity

The Olivet Community Schools (the "District") is governed by the Olivet Community Schools' Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined by Governmental Accounting Standards Board Nos. 14 and 39.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets, when applicable.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds - Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental fund:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds.

The *debt service funds* account for the servicing of general long-term debt.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *private purpose trust fund* is accounted for using the accrual method of accounting. Private purpose trust funds account for assets where both the principal and interest may be spent. These funds are not reported in the District's government-wide financial statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property Taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

Fund	Mills
General fund - non-homestead	18.0000
Debt service fund - 2005	3.4000
Debt service fund - 2003	3.4000
Debt service fund - 2002	2.2500

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and Prepaid Expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	30 - 50 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Continued)

6. Compensated Absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Net Asset Reporting

In the computation of invested in capital assets, net of related debt, school bond loan fund and school bond revolving fund principal proceeds of \$3,684,700 are considered capital-related debt. Accrued interest on the school bond loan fund and school bond revolving fund of \$2,249,061 has been included in the calculation of unrestricted net assets.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. Encumbrance accounting is employed in governmental funds. Significant encumbrances outstanding at year end, if any, are reported as reservations of fund balance because they will be re-appropriated in the subsequent fiscal year.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2008. The District does not consider these amendments to be significant.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS

As of June 30, 2008, the District had the following investments:

Investment Type	Fair value	Weighted average maturity (years)	Standard & Poor's Rating	%
MILAF - MICMS	\$ 785	0.0027	AAAm	0.04%
MILAF - MIMAX	1,776,333	0.0027	AAAm	99.96%
Total fair value	<u>\$ 1,777,118</u>			<u>100.00%</u>
Portfolio weighted average maturity		<u>0.0027</u>		

One day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of “qualified” investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District’s investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District’s cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District’s investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$602,071 of the District's bank balance of \$702,071 was exposed to custodial credit risk because it was uninsured and uncollateralized. The above amounts include interest bearing deposits. The carrying amount is \$389,259.

Fiduciary fund balances are not included in the above balances. As of June 30, 2008, \$21,687 of the Fiduciary fund's bank balance of \$162,063 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying amount is \$167,307.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

The above amounts as previously reported in Note 3:

Deposits	\$ 556,566
Investments	<u>1,777,118</u>
	<u><u>\$ 2,333,684</u></u>

The above amounts are reported in the financial statements as follows:

Cash - private purpose fund	\$ 57,401
Cash - fiduciary funds	109,906
Cash - district-wide	389,259
Investments - district-wide	<u>1,777,118</u>
	<u><u>\$ 2,333,684</u></u>

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

A summary of changes in the District's capital assets at June 30, 2008 is as follows:

	Balance July 1, 2007	Additions	Reclassifications/ Deletions	Balance June 30, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 281,800	\$	\$	\$ 281,800
Total capital assets not being depreciated	281,800			281,800
Capital assets, being depreciated:				
Buildings and improvements	23,442,019	-	5,125	23,436,894
Furniture and fixtures	772,198	14,708	9,600	777,306
Machinery and equipment	818,558	21,314	13,868	826,004
Technology	490,431	6,441	89,092	407,780
Transportation equipment	687,058	-	-	687,058
Total capital assets, being depreciated	26,210,264	42,463	117,685	26,135,042
Accumulated depreciation:				
Buildings and improvements	6,029,565	41,729	5,125	6,066,169
Furniture and fixtures	578,868	514,862	9,600	1,084,130
Machinery and equipment	544,127	31,702	13,868	561,961
Technology	372,615	26,884	80,151	319,348
Transportation equipment	388,366	74,371	-	462,737
Total accumulated depreciation	7,913,541	689,548	108,744	8,494,345
Net capital assets being depreciated	18,296,723	(647,085)	8,941	17,640,697
Net governmental capital assets	\$ 18,578,523	\$ (647,085)	\$ 8,941	\$ 17,922,497

Depreciation for the fiscal year ended June 30, 2008 amounted to \$689,548. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - RECEIVABLES

Receivables at June 30, 2008 consist of the following:

Other governmental units:	
State aid	\$ 1,826,674
ISD special education final payment	150,371
Other	83,316
	<u>\$ 2,060,361</u>

NOTE 6 - NOTE PAYABLE

At June 30, 2008, the District has a note payable outstanding of \$1,000,000. The note has an interest rate of 3.68% and matures August 20, 2008. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2007	Additions	Payments	Balance June 30, 2008
\$ 600,000	\$ 1,000,000	\$ 600,000	\$ 1,000,000

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

	General obligation and serial bonds	School bond loan fund	Severance benefits	Land contract	Limited obligation Durant bonds	Total
Balance, July 1, 2007	\$ 15,354,161	\$ 5,874,060	\$ 678,344	\$ 119,347	\$ 80,807	\$ 22,106,719
Additions		263,126	23,143			286,269
Deletions	713,532	203,425		10,253		927,210
Balance, June 30, 2008	14,640,629	5,933,761	701,487	109,094	80,807	21,465,778
Less current portion	740,000		58,457	109,094	46,541	954,092
Total due after one year	<u>\$ 13,900,629</u>	<u>\$ 5,933,761</u>	<u>\$ 643,030</u>	<u>\$ -</u>	<u>\$ 34,266</u>	<u>\$ 20,511,686</u>

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Long-term obligation debt at June 30, 2008 is comprised of the following:

2002 general obligation bonds due in annual installments of \$320,000 to \$380,000 through May 1, 2012 with interest from 3.50% to 4.05%	\$ 1,400,000
2003 refunding serial bonds due in annual installments of \$295,000 to \$390,000 through May 1, 2020 with interest from 2.45% to 4.10%	4,090,000
2005 refunding bonds due in annual instalments of \$30,000 to \$700,000 through May 1, 2028 with interest from 3.5% to 5.0%	9,480,000
Less: deferred amount on bond refunding	(418,629)
Plus: premium on bond refunding	89,258
	<hr/> 14,640,629
Limited obligation (Durant) bonds due in annual installments of \$7,979 to \$46,541 through May 2013 with an interest rate of 4.76%. Certain state aid payments have been pledged as security.	<hr/> 80,807
Total bonded debt	14,721,436
Borrowings from the State of Michigan under the School Bond Loan Fund Program, including interest	5,933,761
Land contract due in annual principal installments of \$10,253 with balloon payment due April 30, 2009, interest at 3.99%	109,094
Obligation under contract for severance benefits	<hr/> 701,487
Total general long-term debt	<hr/> <hr/> \$ 21,465,778

Interest expense (all funds) for the year ended June 30, 2008 was approximately \$657,000.

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2008, \$13,575,000 of bonds outstanding are considered defeased.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded)

The annual requirements to amortize long-term debt outstanding as of June 30, 2008, including interest of \$6,249,824 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 895,635	\$ 616,504	\$ 1,512,139
2010	752,979	575,336	1,328,315
2011	763,359	549,056	1,312,415
2012	773,756	521,078	1,294,834
2013	784,172	492,055	1,276,227
2014 - 2018	4,180,000	1,941,665	6,121,665
2019 - 2023	3,590,000	1,116,937	4,706,937
2024 - 2028	3,420,000	437,193	3,857,193
Total	15,159,901	6,249,824	21,409,725
Deferred amount on bond refunding	(418,629)	-	(418,629)
Premium on bond refunding	89,258	-	89,258
Accumulated severance benefits	701,487	-	701,487
School bond loan fund	5,933,761	-	5,933,761
	<u>\$ 21,465,778</u>	<u>\$ 6,249,824</u>	<u>\$ 27,715,602</u>

Borrowing from the State of Michigan - The school bond loans payable represents notes payable to the State of Michigan for loans made to the school district, as authorized by the State of Michigan Constitution, for the purpose of paying principal and interest on general obligation bonds of the school district issued for capital expenditures. Interest rates are to be annually determined by the State Administrative Board. Interest rates ranging from 4.38456% - 4.82341% for the School Loan Revolving Fund notes and 4.25% - 4.75% for the School Bond Loan Fund notes have been assessed for the year ended June 30, 2008. Repayment is required when the millage rate necessary to cover the annual bonded debt services falls below 9.05 mills. The school district is required to levy 9.05 mills and repay to the state any excess of the amount levied over the bonded debt service requirements. Currently the District levies 9.05 mills. Due to the variability of the factors that affect the timing of repayment, including the future amount of state-equalized value of property in the school district, no provision for repayment has been included in the above amortization schedule.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2008 are as follows:

Receivable fund		Payable fund	
General	\$ 42,592	General	\$ 1,839
Special revenue	1,839	Special revenue	42,592
	<u>\$ 44,431</u>		<u>\$ 44,431</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**OLIVET COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rate for the year ended June 30, 2008 was 17.74% through September 30, 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2008, 2007 and 2006 were approximately \$1,142,000, \$1,157,000 and \$1,018,000, respectively, and were equal to the required contribution for those years.

Other Post-employment Benefits - Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

The District is not responsible for the payment of retirement benefits or other post-employment benefits which is the responsibility of the State of Michigan.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in a distinct pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including property and casualty errors and omissions, fleet and employee health and accident insurance.

NOTE 11 - TRANSFERS

The general fund transferred \$230,000 to the athletic fund during the current fiscal year to subsidize operations of the athletic fund.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to year end the District issued general obligation bonds in the amount of \$14,500,000 for school building and site purposes. The District has also approved borrowing \$1,000,000 for fiscal year 2009. The note has an interest rate of 2.3%. The note is secured by the full faith and credit of the District as well as pledged state aid.

REQUIRED SUPPLEMENTARY INFORMATION

**OLIVET COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2008**

	Original budget	Final budget	Actual	Variance with final budget- positive (negative)
REVENUES:				
Local sources	\$ 697,699	\$ 786,027	\$ 784,406	\$ (1,621)
State sources	9,970,114	10,035,190	10,031,435	(3,755)
Federal sources	185,717	198,008	189,312	(8,696)
Incoming transfers and other	368,955	441,968	434,740	(7,228)
Total revenues	11,222,485	11,461,193	11,439,893	(21,300)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	6,165,456	6,196,102	6,205,966	(9,864)
Added needs	1,104,617	1,067,001	1,070,679	(3,678)
Total instruction	7,270,073	7,263,103	7,276,645	(13,542)
Supporting services:				
Pupil	280,255	289,444	289,572	(128)
Instructional staff	187,188	250,064	252,817	(2,753)
General administration	350,279	336,328	334,437	1,891
School administration	661,904	660,848	660,758	90
Business	190,230	210,830	208,027	2,803
Operation/maintenance	1,069,365	1,051,871	1,044,574	7,297
Pupil transportation	734,472	690,959	677,994	12,965
Central	287,578	226,508	225,703	805
Total supporting services	3,761,271	3,716,852	3,693,882	22,970
Community services	56,921	66,089	64,520	1,569
Principal repayment	10,253	10,253	10,253	-
Total expenditures	11,098,518	11,056,297	11,045,300	10,997
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	123,967	404,896	394,593	(10,303)
OTHER FINANCING SOURCES (USES):				
Operating transfers to other funds	(220,400)	(232,000)	(230,000)	2,000
NET CHANGE IN FUND BALANCE	<u>\$ (96,433)</u>	<u>\$ 172,896</u>	<u>164,593</u>	<u>\$ (8,303)</u>
FUND BALANCE:				
Beginning of year			1,602,196	
End of year			<u>\$ 1,766,789</u>	
End of the year fund balance as a percentage of expenditures and operating transfers out			<u>15.7%</u>	

ADDITIONAL INFORMATION

**OLIVET COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2008**

	<u>Special revenue</u>	<u>Debt service</u>	<u>Total nonmajor governmental funds</u>
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 12,759	\$ 311,948	\$ 324,707
Investments	86,048	-	86,048
Accounts receivable	569	-	569
Due from other governmental units	3,360	-	3,360
Due from other funds	1,839	-	1,839
Due from fiduciary funds	780	-	780
Inventories	6,410	-	6,410
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 111,765</u>	<u>\$ 311,948</u>	<u>\$ 423,713</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 76	\$ -	\$ 76
Accrued salaries and related items	2,299	-	2,299
Due to other funds	42,592	-	42,592
Deferred revenue	5,482	-	5,482
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	50,449	-	50,449
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Reserved for inventories	6,410	-	6,410
Reserved for debt service	-	311,948	311,948
Unreserved, undesignated	54,906	-	54,906
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	61,316	311,948	373,264
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 111,765</u>	<u>\$ 311,948</u>	<u>\$ 423,713</u>

**OLIVET COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2008**

	Special revenue	Debt service	Total nonmajor governmental funds
REVENUES:			
Local sources:			
Property taxes	\$ -	\$ 1,480,281	\$ 1,480,281
Investment earnings	91	1,612	1,703
Food sales and admissions	337,448	-	337,448
Total local sources	337,539	1,481,893	1,819,432
State sources	22,084	-	22,084
Federal sources	221,840	-	221,840
Total revenues	581,463	1,481,893	2,063,356
EXPENDITURES:			
Current:			
Food service activities	534,885	-	534,885
Athletic activities	304,721	-	304,721
Capital outlay	19,419	-	19,419
Debt service:			
Principal repayment	-	730,000	730,000
Interest expense	-	643,664	643,664
School loan revolving fund repayment - principal	-	177,871	177,871
Other expense	-	1,408	1,408
Total expenditures	859,025	1,552,943	2,411,968
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(277,562)	(71,050)	(348,612)
OTHER FINANCING SOURCES:			
Operating transfers from other funds	230,000	-	230,000
Total other financing sources	230,000	-	230,000
NET CHANGE IN FUND BALANCES	(47,562)	(71,050)	(118,612)
FUND BALANCES:			
Beginning of year	108,878	382,998	491,876
End of year	\$ 61,316	\$ 311,948	\$ 373,264

**OLIVET COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2008**

	Food Service	Athletic	Totals
ASSETS			
ASSETS:			
Cash and cash equivalents	\$ 12,436	\$ 323	\$ 12,759
Investments	86,048	-	86,048
Accounts receivable	569	-	569
Due from other governmental units	3,360	-	3,360
Due from other funds	246	1,593	1,839
Due from fiduciary funds	780		780
Inventories	6,410	-	6,410
	<u>6,410</u>	<u>-</u>	<u>6,410</u>
TOTAL ASSETS	<u>\$ 109,849</u>	<u>\$ 1,916</u>	<u>\$ 111,765</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES:			
Accounts payable	\$ 76	\$ -	\$ 76
Accrued salaries and related items	898	1,401	2,299
Due to other funds	42,326	266	42,592
Deferred revenue	5,482	-	5,482
	<u>5,482</u>	<u>-</u>	<u>5,482</u>
TOTAL LIABILITIES	<u>48,782</u>	<u>1,667</u>	<u>50,449</u>
FUND BALANCES:			
Reserved for inventories	6,410	-	6,410
Unreserved/undesignated	54,657	249	54,906
	<u>54,657</u>	<u>249</u>	<u>54,906</u>
TOTAL FUND BALANCES	<u>61,067</u>	<u>249</u>	<u>61,316</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 109,849</u>	<u>\$ 1,916</u>	<u>\$ 111,765</u>

**OLIVET COMMUNITY SCHOOLS
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	Food Service	Athletic	Totals
REVENUES:			
Sales	\$ 256,576	\$ -	\$ 256,576
State aid	22,084	-	22,084
Federal aid	221,840	-	221,840
Admissions	-	80,872	80,872
Investment earnings	73	18	91
	<u>500,573</u>	<u>80,890</u>	<u>581,463</u>
EXPENDITURES:			
Salaries	155,173	179,004	334,177
Benefits	66,949	50,708	117,657
Purchased services	40,153	27,572	67,725
Supplies and materials	267,716	31,657	299,373
Capital outlay	12,166	7,253	19,419
Other expenses	4,894	15,780	20,674
	<u>547,051</u>	<u>311,974</u>	<u>859,025</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(46,478)</u>	<u>(231,084)</u>	<u>(277,562)</u>
OTHER FINANCING SOURCES:			
Operating transfers from other funds	<u>-</u>	<u>230,000</u>	<u>230,000</u>
NET CHANGE IN FUND BALANCES	<u>(46,478)</u>	<u>(1,084)</u>	<u>(47,562)</u>
FUND BALANCES:			
Beginning of year	<u>107,545</u>	<u>1,333</u>	<u>108,878</u>
End of year	<u><u>\$ 61,067</u></u>	<u><u>\$ 249</u></u>	<u><u>\$ 61,316</u></u>

**OLIVET COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
NONMAJOR COMBINING BALANCE SHEET
JUNE 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2005</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	<u>\$ 29,036</u>	<u>\$ 82,120</u>	<u>\$ 200,792</u>	<u>\$ 311,948</u>
FUND BALANCES				
Reserved for debt service	<u>\$ 29,036</u>	<u>\$ 82,120</u>	<u>\$ 200,792</u>	<u>\$ 311,948</u>

**OLIVET COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
NONMAJOR COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2008**

	<u>2002</u>	<u>2003</u>	<u>2005</u>	<u>Total</u>
REVENUES:				
Local sources:				
Property taxes	\$ 368,018	\$ 556,146	\$ 556,117	\$ 1,480,281
Interest	944	381	287	1,612
Total revenues	<u>368,962</u>	<u>556,527</u>	<u>556,404</u>	<u>1,481,893</u>
EXPENDITURES:				
Redemption of principal	305,000	400,000	25,000	730,000
School loan revolving fund repayment - principal	82,292	81,088	14,491	177,871
Interest	66,215	177,499	399,950	643,664
Other	292	250	866	1,408
Total expenditures	<u>453,799</u>	<u>658,837</u>	<u>440,307</u>	<u>1,552,943</u>
NET CHANGE IN FUND BALANCES	(84,837)	(102,310)	116,097	(71,050)
FUND BALANCES:				
Beginning of year	<u>113,873</u>	<u>184,430</u>	<u>84,695</u>	<u>382,998</u>
End of year	<u>\$ 29,036</u>	<u>\$ 82,120</u>	<u>\$ 200,792</u>	<u>\$ 311,948</u>

**OLIVET COMMUNITY SCHOOLS
FIDUCIARY FUNDS
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
High School:				
Business	\$ 455	\$ -	\$ -	\$ 455
1993	1	-	-	1
1997	(48)	-	-	(48)
1998	372	-	68	304
2000	1,114	-	-	1,114
2002	375	-	-	375
2003	1,533	-	-	1,533
2004	(89)	-	-	(89)
2005	2,721	-	-	2,721
2006	2,600	-	-	2,600
2007	498		287	211
2008	1,757	804	2,141	420
2009	1,108	3,575	1,495	3,188
2010	1,019	4,187	1,379	3,827
2011	-	368	147	221
FFA	189	13,745	14,485	(551)
Art club	44	175	-	219
Choir patron	705	4,551	2,951	2,305
Choir trip	2,222	11,978	6,155	8,045
Drama	723	6,620	4,389	2,954
In house	1,273	20,760	17,235	4,798
Interest	765	96	-	861
Library	(582)	-	-	(582)
Newspaper	18	-	-	18
Student government	2,812	4,014	4,226	2,600
Volleyball	1,598	-	1,598	-
Arts festival	233	-	-	233
National Honor Society	3,763	22,346	22,676	3,433
Plan PSA tests	84	182	183	83
Quiz bowl	4	220	-	224
Unknown	5	-	-	5
Year book previous	(1,468)	-	-	(1,468)

**OLIVET COMMUNITY SCHOOLS
FIDUCIARY FUNDS
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
High School (Concluded):				-
Year book 2006-07	\$ 4,560	\$ 3,152	\$ 7,712	\$ -
Year book 2007-2008	-	15,066	12,556	2,510
Physical Ed	414	-	-	414
OHS Environmental Club	1,180	85	1,180	85
Timothy Holton Fund	139	-	-	139
Environmental Club	14	-	-	14
Cheerleading	444	-	1,013	(569)
SADD	239	-	-	239
Boys basketball	(505)	-	-	(505)
Senior send off	(288)	9,097	8,567	242
Soccer	1,458	-	135	1,323
Band boosters	978	-	-	978
Softball	644	2,311	2,955	-
Total high school	35,081	123,332	113,533	44,880
Middle School:				
4th Grade trip	1,784	29,354	30,911	227
4th Grade Chavez	(3)	-	-	(3)
4th Banigan	289	386	127	548
4th Wilbourn	578	385	132	831
5th Miller	(160)	566	487	(81)
4th Toburen	151	315	127	339
5th Mestemaker	(199)	450	262	(11)
5th Terry	(33)	439	423	(17)
5th Worden	198	1,222	516	904
5th Turner	(381)	323	39	(97)
5th Olmstead	655	-	-	655
6th Grade account	46	50	-	96
Project Read	500	244	161	583
7th Grade account	310	500	500	310
8th Grade account	(1,536)	-	98	(1,634)
8th Grade CHICAGO	910	-	-	910
"Adults Who Care"	334	-	-	334
Band account	119	-	-	119
Baseball account	708	-	419	289
Grasp	345	1,250	1,059	536

**OLIVET COMMUNITY SCHOOLS
FIDUCIARY FUNDS
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Middle School (Continued):				
Awards banquet	\$ 60	\$ -	\$ 60	\$ -
Board of Education flower fund	234	450	1,026	(342)
Book fair	(253)	6,317	4,466	1,598
Choir	10	-	-	10
Coffee	1,225	2,487	2,581	1,131
Fundraiser	3,666	22,617	22,976	3,307
Interest	1,303	41	-	1,344
Office	837	215	477	575
Vending - savings	341	8,252	6,443	2,150
Vending - snacks	2,998	3,072	4,223	1,847
Vending - beverages	4,747	6,785	10,616	916
4-5 Student Council	(30)	-	-	(30)
WKK Fitness Grant	-	250	170	80
5th Flood	190	569	563	196
Science Activity	127	760	484	403
Mathematics Activity	1,168	1,759	424	2,503
Student services	127	-	-	127
Staff scholar	105	-	-	105
Student Council	2,057	3,849	3,079	2,827
Summer school	3,172	-	385	2,787
Spencer Room	242	118	-	360
Marchett Environmental	1,518	657	-	2,175
Math/Science Sly	333	60	274	119
Musical	(211)	1,780	1,782	(213)
St Jude's Math-A-Thon	60	193	193	60
Sweatshirt Taylor	108	-	108	-
Ms. Daly physical education	217	581	688	110
5th Grade camp	2,801	12,098	9,623	5,276
4-5 Teachers pop fund	1,058	1,375	1,050	1,383
Ski club	(814)	2,105	1,353	(62)
Kolar SPED room fund	738	402	113	1,027

**OLIVET COMMUNITY SCHOOLS
FIDUCIARY FUNDS
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Middle School (Concluded):				
Social studies	\$ 1,981	\$ 715	\$ 459	\$ 2,237
Young Authors	-	4,963	4,311	652
ELA activity	3,325	1,740	3,442	1,623
Spoelstra Room Acct	189	-	-	189
SAP Club	903	168	-	1,071
Art club	343	280	178	445
Total middle school	39,490	120,142	116,808	42,824
Elementary School:				
KDG Wine	664	1,076	1,088	652
KDG Sheldon	748	783	863	668
KDG Coolidge	96	612	468	240
KDG Hubbardgessn	433	701	1,129	5
KDG Andrews	453	1,004	1,004	453
1st Porter	141	311	450	2
1st London	1,985	132	951	1,166
1st Johnson	346	793	1,097	42
1/2 Shrontz - Tatrow	222	467	659	30
1/2 Wixson	9	677	637	49
1/2 Longden	412	550	739	223
2nd Krauss	(8)	450	349	93
2nd Fisk	1,049	426	484	991
2nd Tatrow	-	467	229	238
3rd Bosscher	323	455	615	163
2nd Crawford	181	326	505	2
3rd Johnson	28	406	322	112
3rd Wank	113	-	113	-
3rd Walker	(98)	467	198	171
Book Fair	3,532	14,396	15,489	2,439
Spartan Labels	1,171	2,246	1,344	2,073
Fund raiser	(119)	25,059	24,628	312
Interest	11	50	-	61
Office	667	2,772	2,517	922
Pop fund	850	3,928	3,865	913
Lori Post Fund	(22)	7,779	4,836	2,921
3rd Peters	313	584	758	139

**OLIVET COMMUNITY SCHOOLS
FIDUCIARY FUNDS
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND LIABILITIES BY ACTIVITY - AGENCY FUND
YEAR ENDED JUNE 30, 2008**

	Balance 7/1/07	Additions	Deductions	Balance 6/30/08
Elementary School:				
Science Bucinski	\$ 8	\$ -	\$ -	\$ 8
Sum + Fun	904	-	88	816
Special education	205	-	194	11
Unknown	75	-	-	75
Johncock Music	14	-	-	14
Project fund	7,970	6,660	9,575	5,055
Total elementary school	22,676	73,577	75,194	21,059
	<u>\$ 97,247</u>	<u>\$ 317,051</u>	<u>\$ 305,535</u>	<u>\$ 108,763</u>

**OLIVET COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2008**

Bond issue dated November 19, 2002 for erecting, furnishing and equipping an addition or additions to the Fern Persons Elementary School and Middle School/High School including an auditorium, classrooms and office space; partially remodeling, furnishing and refurnishing, equipping and re-equipping and acquiring, installing and equipping technology for the Fern Persons Elementary School and Middle School/High School buildings; improving athletic facilities; partially remodeling, furnishing and re-furnishing, equipping and re-equipping the existing gymnasium and cafeteria; developing and improving the site; and to pay the costs of issuing the bonds.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1	November 1	June 30,	Amount
\$ 320,000	\$ 28,095	\$ 28,095	2009	\$ 376,190
340,000	21,695	21,695	2010	383,390
360,000	14,895	14,895	2011	389,790
380,000	7,695	7,695	2012	395,390
<u>\$ 1,400,000</u>	<u>\$ 72,380</u>	<u>\$ 72,380</u>		<u>\$ 1,544,760</u>

The above bonds have interest rates from 3.50% to 4.05%.

**OLIVET COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2008**

Bond issue dated March 26, 2003 for the purpose of refunding the School District's outstanding 1993 refunding bonds which are due and payable in the years 2005 through 2020.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 390,000	\$ 71,458	\$ 71,458	2009	\$ 532,916
375,000	65,998	65,998	2010	506,996
365,000	60,373	60,373	2011	485,746
355,000	54,533	54,533	2012	464,066
340,000	48,675	48,675	2013	437,350
355,000	42,895	42,895	2014	440,790
345,000	36,683	36,683	2015	418,366
330,000	30,473	30,473	2016	390,946
325,000	24,368	24,368	2017	373,736
310,000	18,193	18,193	2018	346,386
305,000	12,148	12,148	2019	329,296
295,000	6,048	6,048	2020	307,096
<u>\$ 4,090,000</u>	<u>\$ 471,845</u>	<u>\$ 471,845</u>		<u>\$ 5,033,690</u>

The above bonds have interest rates from 2.45% to 4.10%.

**OLIVET COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2008**

Bond issue dated December 15, 2005 for the purpose of refunding the School District's outstanding 2002 general obligation bonds which are due and payable in the years 2007 through 2028.

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 30,000	\$ 199,684	\$ 199,684	2009	\$ 429,368
30,000	199,159	199,159	2010	428,318
30,000	198,634	198,634	2011	427,268
30,000	197,884	197,884	2012	425,768
435,000	197,134	197,134	2013	829,268
460,000	186,259	186,259	2014	832,518
485,000	174,759	174,759	2015	834,518
505,000	162,634	162,634	2016	830,268
525,000	152,534	152,534	2017	830,068
540,000	142,034	142,034	2018	824,068
560,000	131,234	131,234	2019	822,468
580,000	120,034	120,034	2020	820,068
600,000	108,434	108,434	2021	816,868
615,000	96,434	96,434	2022	807,868
635,000	84,134	84,134	2023	803,268
655,000	71,434	71,434	2024	797,868
675,000	58,334	58,334	2025	791,668
695,000	44,413	44,413	2026	783,826
700,000	29,644	29,644	2027	759,288
695,000	14,769	14,769	2028	724,538
<u>\$ 9,480,000</u>	<u>\$ 2,569,579</u>	<u>\$ 2,569,579</u>		<u>\$ 14,619,158</u>

The above bonds have interest rates from 3.5% to 5.0%.

**OLIVET COMMUNITY SCHOOLS
BONDED DEBT
JUNE 30, 2008**

\$229,022 Durant Bond issued November 24, 1998:

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	June 30,	Amount	
\$ 46,541	\$ 18,030	2009	\$ 64,571	
7,979	1,631	2010	9,610	
8,359	1,251	2011	9,610	
8,756	854	2012	9,610	
9,172	438	2013	9,610	
<u>\$ 80,807</u>	<u>\$ 22,204</u>		<u>\$ 103,011</u>	

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing high school building and developing and improving the site.

This bond, including the interest here on, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

**OLIVET COMMUNITY SCHOOLS
MICHIGAN SCHOOL BOND LOAN FUND
AND SCHOOL LOAN REVOLVING FUND
JUNE 30, 2008**

Amounts needed for the payment of bond principal and interest in excess of receipts from property taxes are borrowed from the Michigan School Bond Loan and School Loan Revolving Programs. These loans, together with accrued interest payable thereon, are to be repaid when the debt retirement millage rate provides funds in excess of the amounts needed to pay current bond maturities and interest. The borrowings from the State under this program have been summarized as follows:

<u>Year ended June 30,</u>	<u>Loan proceeds (payments)</u>	<u>Interest expense (payments)</u>	<u>Loan balance</u>
1996	\$ 2,019,158	\$ 233,407	\$ 2,252,565
1997	287,804	131,316	2,671,685
1998	244,237	151,526	3,067,448
1999	275,007	163,703	3,506,158
2000	134,109	183,707	3,823,974
2001	111,537	191,936	4,127,447
2002	55,165	175,225	4,357,837
2002	-	(125,000)	4,232,837
2003	102,170	144,788	4,479,795
2004	216,397	130,821	4,827,013
2005	198,600	147,255	5,172,868
2006	181,000	216,833	5,570,701
2007	37,387	265,972	5,874,060
2008	(177,871)	(25,554)	5,670,635
2008		263,126	5,933,761
	<u>\$ 3,684,700</u>	<u>\$ 2,249,061</u>	<u>\$ 5,933,761</u>

**OLIVET COMMUNITY SCHOOLS
LAND CONTRACT
JUNE 30, 2008**

Land contract due in annual installments of \$10,253 with balloon payment due April 30, 2009, interest at 3.99%

Principal due April 30,	Interest due	Debt service requirement for fiscal year	
	April 30,	June 30,	Amount
		2009	
<u>\$ 109,094</u>	<u>\$ 14,286</u>		<u>\$ 123,380</u>



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Olivet Community Schools

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Olivet Community Schools as of and for the year ended June 30, 2008, which collectively comprise Olivet Community Schools' basic financial statements and have issued our report thereon dated September 16, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Olivet Community Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control over financial reporting. We consider the deficiency described as 2008-1 in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above as 2008-1, is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Olivet Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Olivet Community Schools in a separate letter dated September 16, 2008.

Olivet Community Schools' response to the findings identified in our audit are described in the accompanying schedule of findings and response. We did not audit Olivet Community Schools' response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of education, management, others within the entity and the U.S. Department of Education, Michigan Department of Education and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



September 16, 2008

**OLIVET COMMUNITY SCHOOLS
YEAR ENDED JUNE 30, 2008**

Schedule of Findings and Responses

Finding 2008-1

Finding considered a significant deficiency

Criteria:

Statements on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (issued May 2006), requires us to communicate in writing when a client requires assistance to prepare the footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

Condition

Currently, the District's staff prepares the interim financial reports and assists the external auditor in the preparation of the annual audit report.

Cause

The staff of the District does understand all information included in the annual financial statements; however, assistance of the external auditor was utilized in preparing the footnotes to the financial statements and certain reconciliations required by Governmental Accounting Standards Board Statement #34.

Effect

Utilization of the external auditor in preparing the footnotes and certain reconciliations to the financial statements assists management with the external financial reporting responsibility, to ensure their financial statements are accurate.

Recommendation

At this time, we recommend no changes to this situation and communicate this as required by professional standards. The current process meets the definition of a significant deficiency as defined in Statement on Auditing Standards #112.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We would expect this situation to be ongoing in future years.



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September 16, 2008

To Board of Education
Olivet Community Schools

In planning and performing our audit of the financial statements of Olivet Community Schools as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Olivet Community Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 16, 2008 on the financial statements of Olivet Community Schools. Our comments are summarized as follows.

Month-end Procedures Checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as a place to document who completed the procedure, and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured Bank Deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding; there are limits to FDIC insured balances. Generally, the limits are \$100,000 for demand accounts (checking) and \$100,000 for time deposit accounts (savings/certificates of deposit). Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

System passwords

It was noted during the course of the audit that the school district does not require network users to change their password to access the district network or the primary finance application. We recommend considering the feasibility of requiring network users to change their password quarterly.

We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations.

This report is intended solely for the information and use of Olivet Community Schools, management, and others within the District, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Mamie Costeniser & Ellis, P.C.



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September 16, 2008

To the Board of Education
Olivet Community Schools

We have audited the financial statements of Olivet Community Schools for the year ended June 30, 2008, and have issued our report thereon dated September 16, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Olivet Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Olivet Community Schools' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 27, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Olivet Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management's estimate of the liability of the payout of employee compensated absences upon their retirement is based on expected payout. In addition, certain fixed assets were originally recorded using external appraisers estimates. Certain allocations on the statement of activities are based on estimates. We evaluated the key factors and assumptions used to develop the balance of compensated absences and value of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

We did not identify any sensitive disclosure.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 16, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Olivet Community Schools' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Olivet Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Education and management of Olivet Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mayer, Costeniser & Ellis, P.C.